

**WATERSIDE PROJECT: CORDISH PROPOSAL ASSESSMENT**  
**AND OPINION OF POTENTIAL DOWNTOWN IMPACTS**



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**WATERSIDE PROJECT: CORDISH PROPOSAL ASSESSMENT  
AND OPINION OF POTENTIAL DOWNTOWN IMPACTS**

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## EXECUTIVE SUMMARY

### **WATERSIDE PROJECT: CORDISH PROPOSAL ASSESSMENT AND OPINION OF POTENTIAL DOWNTOWN IMPACTS**

Downtown Norfolk is Hampton Road's historical "urban center" in a region that is becoming more urbanized and competitive in terms of its market position in national and global markets. Situated between two major tourist destinations – Williamsburg and Virginia Beach – the City and its downtown has many strengths to build upon to expand its role as a dominant visitor destination, signature home and workplace address, and "new economy" innovation center.

Waterside's potential as a food/entertainment-driven destination must be placed into the larger context of Norfolk's performance in the restaurant category in South Hampton Roads. Despite the City and Downtown's many strengths, tax revenue reports indicate that Norfolk's "market share" of food and beverage sales in the South Hampton Roads region has steadily declined in recent years; while Norfolk's food and beverage sales have realized modest increases annually. Norfolk's current share of restaurant sales is 22.5% which is below the 14 year average from 1996 to 2011; and nearly 20% below its peak from 2000 – 2004 which averaged 27%.

To casual observers, Norfolk's restaurant sales have increased; but "market share" tells a very different story. Restaurant sales in South Hampton Roads have grown but Norfolk is not fully participating in the growth of the market which results in unrealized: food and beverage revenues; employment; entrepreneurial wealth; and returns on public investment. Norfolk and Downtown's many strengths offer a platform for gaining restaurant "market share" as well as strengthening the City's position to attract a greater share of "high-valued" industries, businesses and markets.

The City's underutilized downtown waterfront assets – Waterside, Cruise Terminal, Nauticus and land near Harbor Park – represents an opportunity to jumpstart complementary waterfront development in a manner that: is consistent with the City's long-term vision and strategy; and will catalyze broader economic benefits for downtown. One project alone does not constitute an "economic strategy" or "silver bullet" for any city. However, a collection of "Catalytic Projects" with strong proximity and connectivity can create "Sub-Anchor Experiences" that result in a more compelling and differentiated "Downtown Destination." The Waterside site is an opportunity to create a new complementary Catalytic Anchor that can activate the waterfront and provide potential cross-patrons for other waterfront venues. Substantial recent public investment in Town Point Park (\$11.6 M) and the Cruise Terminal (+\$30M) renewed the City's commitment to its Downtown Waterfront as a community-gathering place for "active entertainment" (ie. festivals, recreation, restaurants, boat excursions), "passive" enjoyment and enhanced public access and waterfront connectivity.

The Waterfront and Waterside Opportunity is a critical element of a multi-faceted strategy to retain, expand and diversify the local economy by attracting residents, visitors, "new economy" industries, and workers that desire the benefits of urban living. The mission and vision driving the achievement of this objective is a simple one: jumpstarting and managing growth to become a more dominant "Regional Crossroads, Gateway, Destination and Innovation Center."

This is the starting point for evaluating potential impacts associated with the Cordish Company's proposed Waterside Redevelopment. Understanding to what extent proposals are consistent with the City's long-term vision and strategy - for the city overall and downtown - is the first step in identifying potential impacts as well as potential direct/indirect economic and quality of life benefits. Short-term decisions and actions that are consistent with long-term objectives have the best chance of yielding the most positive impacts.



## EXECUTIVE SUMMARY cont'd

### WATERSIDE PROJECT: CORDISH PROPOSAL ASSESSMENT AND OPINION OF POTENTIAL DOWNTOWN IMPACTS

#### FINDINGS

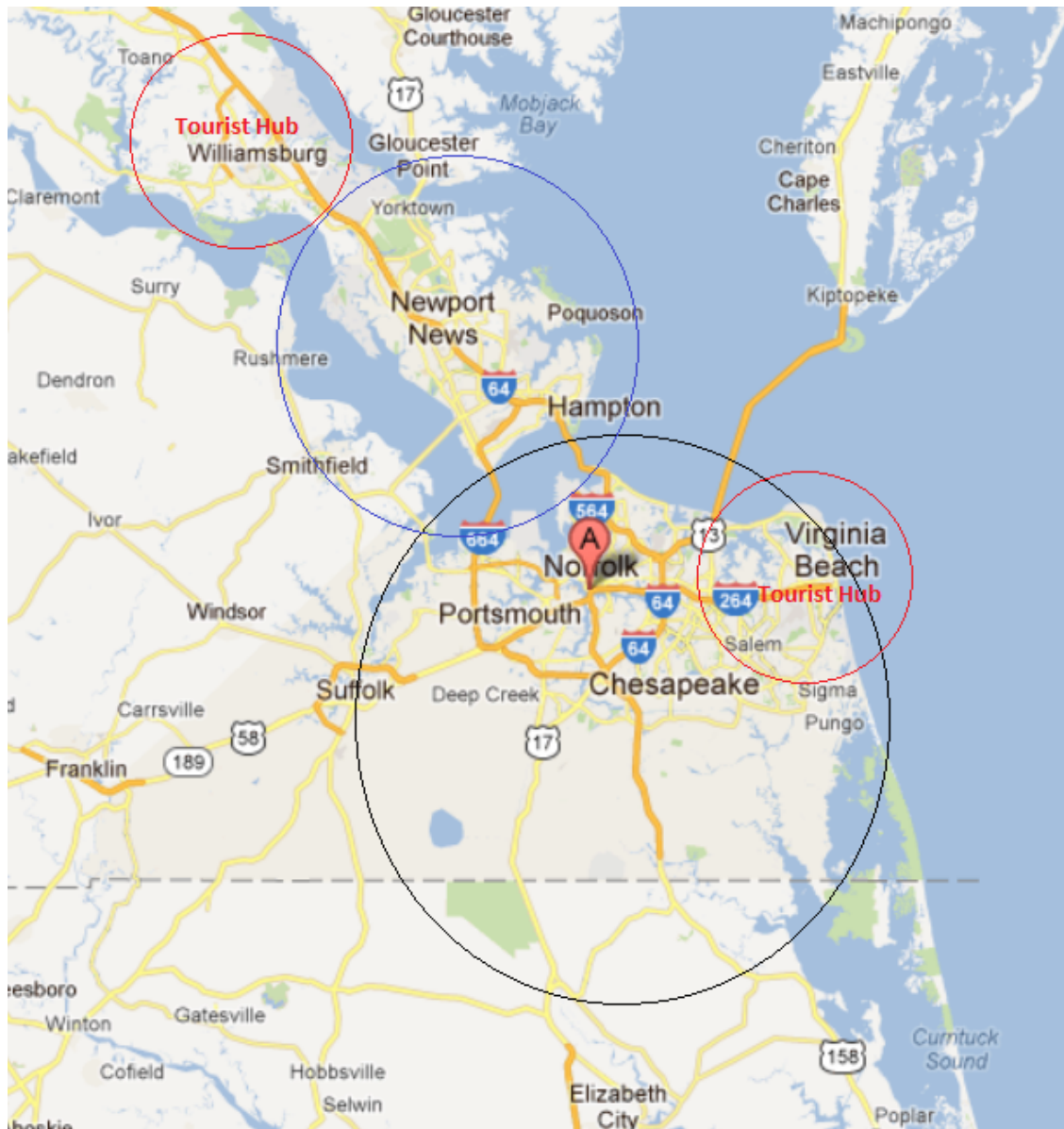
- The City's downtown, waterfront and neighborhood strategies are critical in order to sustain, expand and diversify Norfolk's economy
- Reversing the declining restaurant market share trend is a strategic priority for Norfolk
- Reinvigorating Norfolk's restaurant sector requires "major innovation" vs. incremental actions
- Sufficient market demand exists within the regional market to support the amount of restaurant and entertainment space proposed
- The Cordish plan has the potential to restore Waterside's peak sales level without absorbing a dominant share of new restaurant sales even in the most conservative scenario
- Waterside has been/can be an economic engine for "importing" sales throughout the region
- Waterside has NOT been a traditional festival marketplace model since 1999
- Waterside lost competitiveness since 1999 due to multiple factors including limited reinvestment and the lack of private-sector control/investment needed to re-engineer a more competitive model
- Successful Catalyst Projects combined with joint downtown marketing have the potential to rejuvenate the local restaurant market which otherwise would be depending on the "status quo"
- The "status quo" in a regional market that is more urbanized and competitive can result in further market share erosion that does not maximize untapped sales and tax potential.
- One Project does not constitute an economic strategy or "silver bullet"; however, the right project, use and operator at a strategic location (with a concept consistent with the City's strategic vision for the waterfront and downtown) can be a catalyst to help local leaders build on strengths, maximize untapped potential and drive transformation.

#### OPINION

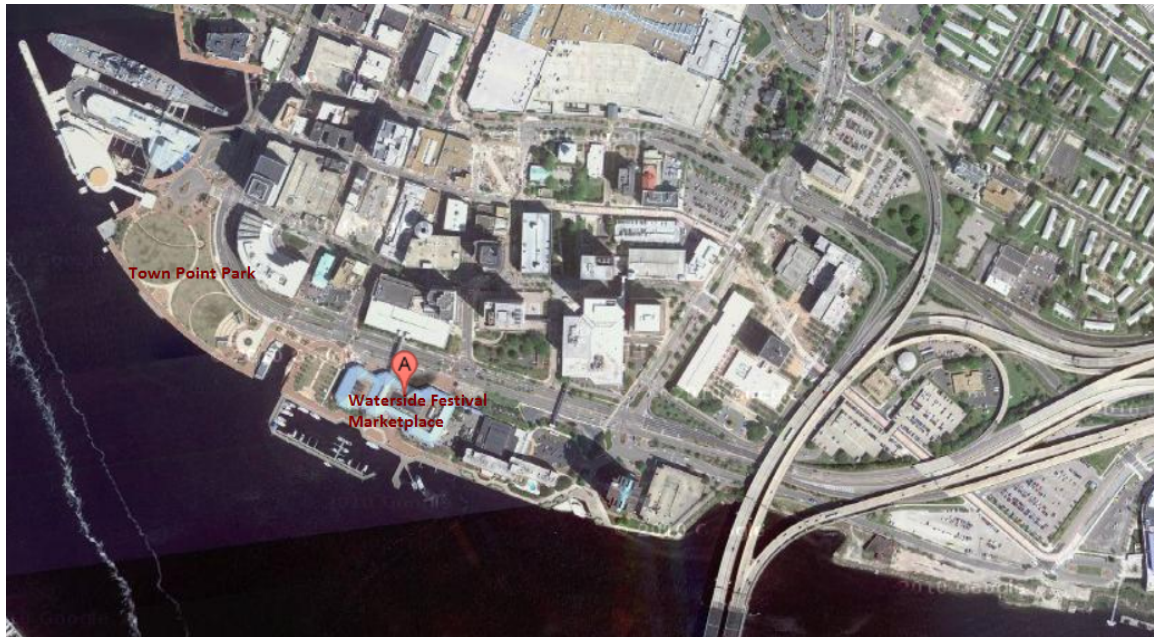
To the extent the proposed Cordish Waterside Live! Project (including new on-going investments in regional marketing) is integrated as part of a broader downtown cross-programming and cross-marketing opportunity, its reasonable to assume that the project has the potential to have an overall positive impact on:

- (1) Downtown restaurants;
- (2) Enhancing the City's ability to increase regional restaurant market share;
- (3) Accelerating local restaurant tax revenue growth;
- (4) Supporting efforts to grow convention and hospitality business; and
- (5) Accelerating Norfolk's strategy to create "Virginia's Premiere Urban Waterfront Park" extending from Harbor Park to Town Point Park

## REGIONAL CONTEXT



## DOWNTOWN WATERFRONT: Harbor Park to Town Point Park





**DOWNTOWN NORFOLK:** Granby Street, MacArthur Center,  
Nauticus, Town Point Park & Waterside





**DOWNTOWN WATERFRONT:**  
Town Point Park at Waterside and Nauticus



APPROACH



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## **WATERSIDE PROJECT: CORDISH PROPOSAL ASSESSMENT AND OPINION OF POTENTIAL DOWNTOWN IMPACTS**

### **A. BACKGROUND**

#### Overview

The City of Norfolk is in the process of evaluating two proposals that were submitted to redevelop the Waterside Marketplace building which is located on Waterside Drive at the City Marina directly adjacent to Town Point Park and the Sheraton Hotel. Waterside originally opened in 1983 and was developed by the City in partnership with James W. Rouse's Enterprise Development Company – a development affiliate of the Enterprise Foundation. The motivation behind Enterprise's plan was to apply the festival marketplace formula in smaller markets in order to generate proceeds for Enterprise's non-profit foundation. Waterside is one of several Festival Marketplace projects developed by Enterprise in smaller (second tier) markets during the 1980's concurrently with The Rouse Company's development of Festival Marketplace projects in major urban markets such as: Atlanta; Baltimore; Boston; Chicago; Miami; New Orleans; New York; St. Louis; and Jacksonville.

Developing an unanchored festival marketplace project is one of the most difficult project types to develop since the ultimate success results from creating a regional destination based on the project's: location; sense of place and community; surrounding traffic and activity generators; programmed entertainment; stand alone critical mass, mix and connectivity; ability to attract local as well as visitor traffic; and success in creating many reasons to come, stay long, spend, and return. To this end, most important is the principle that: places that are relevant in the lives of people create opportunity.

Since the early 1980's and even sooner, the City of Norfolk has advanced economic development, downtown, waterfront and neighborhood strategies intended to retain, expand and diversify Norfolk's economy. Since the 1980's and continuing today, Fest-events was created with the purpose of being a catalyst organization to generate excitement and activity downtown. Again, create reasons for people to come downtown, enjoy, stay long, spend and return. These early seeds were planted and harvested; and resulted in the development of: Town Point Park; the original Waterside Festival Marketplace; the Nauticus Maritime Museum; surrounding hotels; and the development of MacArthur Center (1999).

#### Recent History

The City has continued to support and subsidize the operations of Waterside as a festival marketplace. Over time as Waterside's performance declined, the City assumed complete ownership and management responsibilities which included significant costs to cover operating deficits and minimal reinvestment requirements. In 1999, in conjunction with the opening of MacArthur Center, the City invested approximately \$8M to reposition and convert the Waterside Festival Marketplace (and its food and retail focus) into a Restaurant and Entertainment Destination. This change was consistent with industry trends as increasing competition in outlying areas mandated new concepts with critical mass and differentiated experiences that were not offered in the suburbs. To this end, the new repositioning strategy for Waterside was built around: a major restaurant and entertainment operator (Jillian's, 50,000 SF); multiple national and regional chain restaurants (ie. Hooters, Outback and Joe's Crab Shack); and a collection of second floor

## A. BACKGROUND cont'd

club concepts that were trendy in other markets. The number of clubs, their need for reinvention over time, combined with constrained resources likewise re-invent the overall experience and offerings was a risk factor to consider at that time and going forward. The goal was to make the first floor as public as possible, maximize views with waterside dining, and locate entertainment uses on the second floor. The facility was owned and managed by the Norfolk Redevelopment and Housing Authority who outsourced the daily management to the Harvey Lindsey real estate company. Based on this model, the on-going operations, re-investment, and marketing was subject to the performance of the project and the ability to generate sufficient revenues sustain project's financial performance in a regional market that was becoming more urbanized and competitive. Without private sector ownership, re-investment, market-focus, and adequate resources to draw crowds regionally, it became difficult to maintain a thriving restaurant and entertainment-driven destination. In recent years, issues related to club operations, alcohol license requirements, and crowd management made it difficult to fulfill the initial public purpose of the project and level of quality expected day and night. Looking back, the project has had a long history of success overall it has contributed economic returns, strategic value and community benefits. It remains a landmark representing the waterfront's potential and City's future vision. The City renewed its commitment to the "urban waterfront park" vision with the: \$11.6M reinvestment in improving Town Point Park; and the development of the new Cruise Terminal (approximately \$30M).

### Relevant Industry Trends

Generally, the Festival Marketplace retail strategy that started nationwide in the 1980's was one element of a multi-faceted public strategies to attract retail, business and residential back to downtown. Festival Marketplaces in smaller markets developed by Enterprise have all failed. Festival markets in large markets have not been able to maintain their once dominant position primarily due to competition as well as shifts in market preferences. Currently, industry attention is focused on the future of festival marketplaces and their untapped potential given their prime location in mature markets. Over the years, retail-focused strategies have been replaced with more comprehensive approaches that target "mixed-use" urban development opportunities that include: higher residential densities; expanded office and innovation center programs; and lifestyle food/entertainment and select retail concepts that appeal to locals, visitors and urban dweller markets. As these trends align, competition increases, and markets change, the festival marketplace format will continue to evolve and adjust. The Cordish Live District! Venue is an example of a new business model that combines "sense of place and iconic design" with a focused model that is entertainment/club and restaurant driven; and is refined based on local factors that make the model more locally authentic.

### Norfolk Today

New urbanism principles have guided the master plan visioning, execution and renaissance of Downtown Norfolk. Despite the Waterside Project's current state, Norfolk's Downtown and Waterfront have many strengths to build upon in order to compete in a region that is becoming increasingly more urbanized. Norfolk's Downtown is one of the few second tier markets (under 250,000 local population) that has an urban downtown experience with a critical mass and mix of uses that are walk-able and are in close proximity to the waterfront and related activities. Few cities the size of Norfolk have the potential to have three different dining, retail, and entertainment experiences within a three block area: Granby Streets "main street" restaurants; MacArthur Center's specialty retail offerings and signature department stores; the Waterfront's anchor attractions, boat excursions, and Fest-events activities; and the potential to expand and diversify waterfront entertainment, restaurant, marina and other complementary uses.



## A. BACKGROUND cont'd

### Waterside Today

Today, Waterside's ground level has been improved in order to expand its use as a public "social gathering" venue with waterfront views and improved connectivity to the adjacent Town Point Park and other nearby attractions. The marina remains operational and the Waterside building is un-occupied except for several small vendors and chain restaurants: Hooters; Outback; and Joes Crab Shack.

### Waterside Proposals

The City issued Request For Proposals to redevelop the Waterside facility into a public purpose use that: contributed to strengthening the local economy; advanced the Downtown and Waterfront vision; and supported the expansion of the City's tourism and convention business. In response to the RFP the City received six proposals. Based on the City's review of all proposals, the focus has been narrowed to two:

- (1) The Cordish Company's proposal to create a 122,000 SF entertainment and restaurant district;
- (2) The Harvey Lindsey Company's proposal to build: a conference center, marina, signature seafood restaurant, feature ferris wheel attraction and elevated bridge connections to two proposed hotels

## **B. REQUESTED SERVICES**

### **Purpose**

The City requested the services of Atlanta-based Huntley Partners Inc. – who is working in collaboration with Norfolk-based H. Blount Hunter Retail and Real Estate Research Company – to review the Cordish Proposal and assess the potential impacts on downtown if the project is awarded and successfully developed. The deliverable for this assignment is an “Opinion of Potential Downtown Impacts and Rationale.”

### **The Consultant Team**

Huntley Partners is a development advisory firm with extensive experience working on the strategic analysis, implementation, and financing of major urban redevelopment projects in markets throughout the United State. Huntley Partners concentrates on providing the implementation support that cities and developers need to structure and execute workable public/private partnerships. Dana A. Nottingham, a partner in the firm, is the lead project executive on this engagement working in close collaboration with Walter R. Huntley, Jr. (President) and Rick W. Padgett (Senior Partner). Nottingham has extensive mixed/use and retail development experience in numerous urban markets working for The Rouse Company and the Walt Disney Company. To offer added local market knowledge and capacity, Huntley Partner is collaborating with H. Blount Hunter who is providing advisory and local market research support. H. Blount Hunter has extensive national, Hampton Roads, and Norfolk experience providing market research and advisory services to cities, government agencies and private businesses engaged in retail and mixed use development.

## C. STUDY APPROACH

### Objective

The City's requirement to understand more about the Cordish Proposal is best expressed with one over-arching question which is the starting point for this assignment:

**What would be the potential impact on Downtown if the Cordish Proposal is awarded and the project is successful?**

### Key Questions

In order to answer this over-arching question, the method for determining potential impacts was organized around responding to the following questions:

1. What are the City's long-term economic development objectives?
2. What role does Downtown and the Waterfront play in meeting those objectives?
3. What is the City's vision and strategy for Downtown and the Waterfront?
4. To what extent is the proposed Cordish proposal consistent with the City's vision for downtown and the Waterfront?
5. What is the overall state of Norfolk's restaurant market?
6. Can the market accommodate the Cordish Plan's anticipated sales volume without "cannibalizing" existing restaurant sales?
7. What is the potential impact of the Cordish Plan on:
  - Advancing the City's economic objectives
  - Strengthening the City's regional positioning as a dining, entertainment, visitor and convention destination
  - Increasing restaurant regional market share
  - Increasing local restaurant sales tax revenues
  - Attracting net new business and importing sales from beyond the City's borders

### Approach and Method

#### Step One. Strategic Analysis: City Vision and Strategy

1. Review and confirm relevant economic objectives, priorities, and progress to date
2. Restate the City's downtown and waterfront vision, market positioning strategy and key strategic objectives
3. Evaluate the Cordish Proposal's intent, scope, scale, programming, sales projections, and business model assumptions
4. Evaluate the Cordish Proposal's consistency with the City's overall economic objectives; and Downtown/Waterfront vision and strategic priorities

## C. STUDY APPROACH cont'd

### Step Two. Market Research: Food/Beverage Sales and Tax Revenues

5. Document profile of existing downtown restaurant inventory
6. Document and assess the City's existing and projected food and beverage restaurant sales

Sources: Virginia Department of Taxation  
Norfolk Commissioner of Revenues  
The Cordish Company pro forma sales projections

### Step Three. Market Research: Regional Market Share

7. Document and assess City's historical and projected food/beverage regional "market share"
8. Evaluate projected food and beverage "market share" and sales tax revenues under three sales increase scenarios:
  - Status Quo
  - Average
  - Peak Levels

### Step Four. Market Review: Local "Transfer of Sales"

9. Verify the extent of "transfer of sales" between downtown and restaurant nodes

### Step Five. Qualitative Research: Local Restaurant and Stakeholder Interviews

10. Conduct and interpret local restaurant and stakeholder interviews in order to validate quantitative results; and obtain qualitative input and market observations

### Step Six. Qualitative Research: Target City Interviews (Comparable Cordish Projects)

11. Conduct targeted interviews with leaders and stakeholders in cities where Cordish projects have been built

### Step Seven. Conclusions: Correlate Research, Interviews and Findings

12. Identify and prioritize probable downtown impacts; develop executive summary and opinion

## D. CITY'S STRATEGIC OBJECTIVES

Based on stakeholder conversations, the following summarizes guiding principles that will be critical in shaping future downtown and waterfront implementation strategies:

### City's Economic Vision

- Become a stronger: "Regional Crossroads, Gateway, Destination and Innovation Center!"

### City Economic Priorities

- Retain, Expand and Diversify the Economy
- Manage Growth, Urbanization and Quality of Life
- Sustainable, Transformative and Equitable Development
- Create Economically Strong, Livable and Health Neighborhoods

### Downtown Norfolk Vision

- Claim and sustain position as "Region's Authentic Urban Center"
- Desired Workplace Address
- Desired Home Address
- Desired Visitor Destination
- Desired Education and Innovation Hub
- Famous for Great Restaurants, Entertainment and Cultural Attractions

### Downtown Norfolk Waterfront Vision

- Virginia's "Premiere Urban Waterfront Park"
- Norfolk's "Must See" Downtown Waterfront
- Region's Number One Urban Specialty Shopping Destination
- Region's Number One "Urban Convention, Dining and Entertainment Destination"
- Year Round Downtown Urban Waterfront Park (extending from Harbor Park to Town Point Park and connecting to more)
- Most Boater Friendly and Fun Urban Marina On The Intra-Coastal

### Waterside Opportunity

Goals:

- Harness market and do more with less to advance long-term vision
- Maximize direct/indirect economic and quality of life benefits
- Insure short-term actions are consistent with long-term objectives

## D. CITY'S STRATEGIC OBJECTIVES cont'd

### Strategic Objectives/Outcomes:

- Leverage Downtown to attract, diversify and retain high-valued industries, businesses and workers
- Expand regional food/beverage market share; and sales, hotel, admissions and RE tax base
- Expand pie and support local businesses, job-creation and entrepreneurial wealth building

### Mobilizing Success:

- Increase Competitiveness and Appeal to High Valued Industries and Markets
- Strengthen Linkage Between Downtown, Waterfront and Regional Markets
- Execute Downtown Critical Mass, Mix and Connectivity Strategy
- Expand Tourism/Convention Capacity and Diversify Destination Offerings
- Create A New Rejuvenated "Heart and Soul" To Showcase Local Authenticity
- Claim Position As Region's "Authentic Urban Center"
- Claim Position As Hampton Roads' #1 Urban Convention and Tourism Destination
- Claim Position As Most Boater Friendly Destination On The Intra-Coastal

### Strategic Implementation Priorities:

- Advance Vision of State's Premiere Urban Waterfront Park
- Complement Granby and MacArthur Center to Create Bigger and Stronger Downtown Destination
- Support Improvement of Overall Connectivity, Critical Mass and Mix To Drive Tourism
- Link Downtown, Town Point Park, Harbor Park, and Proposed Transportation Hub to Create A Stronger/More Accessible Waterfront Destination Experience

### Vision, Strategy and Potential Impacts

The starting point in assessing potential impacts is to understand "where the City is" and "where the City is headed" in terms of advancing its over-arching economic development strategy.

To the extent the Proposed Uses for the Waterside Site are consistent with this direction, vision and strategy – the potential negative impacts are minimized, and there is a greater opportunity and probability that proposed actions will "maximize upside and untapped potential" and yield broader positive impacts for Downtown and the City overall. The strategic alignment of City, Downtown and Waterfront objectives is essential in order to "accelerate" decision speed and consensus; as well as eliminate least viable options, and reshape the strengths of proposals that can help drive transformation.

## E. WATERSIDE CORDISH PROPOSAL

The Cordish Company has proposed a complete re-positioning, renovation and adaptive re-use of the Waterside Building in order to create a 122,000 SF entertainment and restaurant district and improved marina. The scale and scope of the project will require a complete overhaul, rehabilitation, re-tenanting and re-branding of the existing facility and enterprise. The following is a summary of key program and deal requirement outlined within the proposal:

- **Core Concept:**

Urban Waterfront Entertainment and Restaurant District

- **Branding:**

Waterside Live!: Norfolk's Living Room

- **Program Requirements:**

Size: 122,000 SF  
 First Floor: 7 Restaurants (three existing)  
 Central Gathering Area  
 Feature Stage and Screen  
 Open City and Waterside Frontage  
 Proposed Marketplace Area  
 Improved Promenades  
 Improved Arena

Second Floor: 6 Restaurants  
 Patios with Waterfront Views  
 Event Room

- **Financials:**

Total Investment: \$26M  
 Projected Sales: \$27 million (\$220/SF)  
 Key Deal Points: Pay Full R.E. Taxes  
 Proposed Sliding Scale Rebate (food/beverage, admissions, city retail sales tax)  
 Other Taxes: not shown as rebate (ie. business license/property, utility)

## F. RESEARCH FINDINGS

### Key Questions

The market research conducted to assess the proposal and its potential impacts was guided by the following questions:

1. What is Norfolk's restaurant market trend?
2. Can the market accommodate the Cordish's Plan's anticipated sales?
3. What is the extent of "sales transfer" between dining nodes within downtown?
4. What is the extent of demand-driven new supportable restaurant space?
5. How can the likelihood of sales transfer be minimized?
6. How can Norfolk "expand the pie" (market share)?
7. Potential beneficial impacts resulting from increasing market share?

#### 1. What is Norfolk's restaurant market trend?

Waterside's future as a restaurant/entertainment-driven project must be placed into the larger context of Norfolk's performance in the restaurant category in South Hampton Roads. Virginia Department of Taxation data demonstrates the following:

- Norfolk's share of restaurant sales peaked during the years following Waterside's 1999 repositioning
- Norfolk's share of restaurant sales began to decline after 2000 and accelerated in 2008
- Norfolk's current share of restaurant sales is 22.5% - below the 14 year average from 1996 to 2011 and nearly 20% below its peak from 2000 -2004
- **Norfolk's restaurant sales volume has increased; market share has declined by almost 20% since 2004**



## F. RESEARCH FINDINGS cont'd

### 2. Can the market accommodate the Cordish Plan's anticipated sales?

- New net supportable restaurant space is projected for conservative (status quo), moderate (average) and aggressive (peak) scenarios
- Projected new net supportable restaurant space in the Status Quo Scenario ranges from 120,000 SF to 284,000 SF in 2015
- More ambitious market share scenarios support significantly more new restaurant square footage than proposed by the Cordish Plan (122, 000 SF)

### 3. What is the extent of anticipated "sales transfer" between nodes within downtown?

- There is no direct evidence of dollar-for-dollar "sales transfer" between dining nodes within Norfolk
- Granby/MacArthur's casual/fine dining venues are not comparable to the club-oriented environment proposed for Waterside
- Ghent has few "bars" comparable to the core tenancy of Waterside
- Most of Waterside's former entertainment patrons have disappeared since the more recent club closings
- Some establishments on Granby may have picked up a minor portion of Waterside's bar business
- Waterside and Granby/MacArthur fared better than Ghent in the 2008 economic downturn which is the value of serving a regional base that includes out-of-market visitors
- Ghent grew from 2009 -2011 as Granby/Mac Arthur and Waterside experienced sales declines for different reasons
  - Waterside bar closures initiated by the City
  - Granby/MacArthur Center was impacted by light rail construction
- Sales transfer is based on a belief in a "fixed pie" and is fueled by a fear of competition
- Sales transfer may occur if a market is not expanding
- May be a natural response to superior concepts or poor execution
- More likely to occur by maintaining the Status Quo than by the strategic enhancement of Norfolk's restaurant based
- While Norfolk's "pie" is not shrinking, it is growing at a slower pace than in the past thereby increasing the probability of more direct competition

### 4. How can Norfolk "expand the pie" (market share)?

- Existing restaurant patrons "spend more" (demand/spending elasticity)
- New patrons are attracted from within the region to Norfolk's restaurants (increased local inflow)
- Norfolk draws more visitors and attracts a larger share of regional visitor spending (increased visitor spending)

## **F. RESEARCH FINDINGS cont'd**

### **5. Potential beneficial impacts resulting from increasing market share?**

- Increased new restaurant sales and sales taxes (\$44M – \$59M) by reversing citywide declining market share trend
- Immediate opportunity to reinforce Norfolk's strategic brand and regional positioning
- Establish a major visitor amenity for attracting delegates to conventions/conferences/meetings
- Destinations "spin-off" patrons to nearby attractions (Nauticus, USS Wisconsin, MacArthur Center, retail shops on Granby)
- Program offerings that appeal to younger professional markets and the creative class

## G. LOCAL RESTAURANT AND STAKEHOLDER INTERVIEWS

### Interview Profile (12 interviews):

- Restaurant Owners (Granby Street)
- Restaurant/Bar Owner (Ghent)
- Downtown Stakeholders
- Convention Industry Stakeholders

### Consistent Themes:

#### No Impact When Waterside Bars Closed

- Downtown/Ghent restaurant and bar operators reported NO sales benefits when Waterside's bars were closed. Downtown operators all described Waterside as a "stand alone destination" that is too far removed from Granby Street to create any synergistic sharing of patrons on the same trip.

#### Waterside's Customer Base Dissipated

- Waterside's customer based dissipated and did not relocate to a single area or code. Areas perceived as benefitting from Waterside's demise were outside of Norfolk: Town Center of Virginia Beach; Shore Drive/Lesner Bridge area of Virginia Beach; and Virginia Beach oceanfront.

#### Downtown Requires Customers Beyond Norfolk's Borders

- All operators said Downtown requires support from customers beyond Norfolk's boundaries (local residents and tourists) to succeed. Most operators felt that the inflow of patrons from beyond Norfolk's boundaries has decreased in recent years –especially on week nights (Note: the Cordish Proposal indicates that their Kansas City Live! Project attracted 38% of visitors from beyond 100 miles).

#### Highest and Best Use Is For Dining and Drinking

- Every operator from Ghent and Downtown – except one – indicated a personal belief that Waterside's "highest and best use" was for eating and drinking places with an entertainment component.

#### Downtown Needs More Activity To Draw Crowds Year Round

- All operators – except one – cited a "static environment" in Downtown as a major reason for lack of interest/use by patrons from throughout the region.

## G. LOCAL RESTAURANT AND STAKEHOLDER INTERVIEWS cont'd

### Conclusions

- Restaurant/bar owner's comments negate the notion that Waterside's demise benefitted their businesses. Instead of going to establishments on Granby Street or in Ghent, Waterside's former bar crowd has dispersed to multiple destinations outside of Norfolk.
- Waterside has been described as a "stand alone destination" within Downtown that was insulated from Granby Street despite relatively close proximity.
- All operators believe that Downtown needs to penetrate the regional market rather than depend on Norfolk for the bulk of their sales. They felt that Waterside was penetrating the regional market during its peaks as a festival marketplace (1983 -1990) and as a bar-entertainment venue (1999 - 2009).
- Only one downtown restaurant operator said that additional restaurants at Waterside would "cannibalize" his establishments. His comment was inconsistent with his earlier declaration that Waterside had no impact on his businesses (negative or positive) and that Waterside was an isolated destination serving a different customer profile than his business.
- The overwhelming sense shared by these restaurant/bar owners is that they cannot survive without serving a regional audience and the regional audience needs new reasons to come to downtown. The prevailing attitude is that a "rising tide can lift all boats."

## H. OUT OF TOWN STAKEHOLDER INTERVIEWS

### Interview Profile (12 interviews):

- Louisville, Kansas City, Baltimore and Houston
- Convention and Tourism Presidents
- Downtown Partnership Presidents
- City Development Corporation Presidents
- Downtown Business Improvement District Presidents

### Consistent Themes

- **Broader revitalization impacts:**

The Cordish Company's Live District concept has been a "lead" early catalyst in markets such as Louisville and Kansas City. In both cases, the project had a positive impact: generating net new business growth; expanding visitor and convention traffic; and accelerating the revitalization of surrounding neighborhoods and commercial districts.

- **Leasing and local restaurant impacts**

In the case of Baltimore, most cited concerns raised by local restaurants when Harborplace was built in the early 1980's – specifically the nearby Little Italy restaurant district. This district continues to thrive since that time despite major expansions of the Inner Harbor. In the case of the Power Plant and Power Plant Live! projects, both project were successful workouts of failed entertainment and retail marketplace projects. Most leaders interviewed felt that the company raised the bar in terms of quality and attracted new "record breaking" attendance downtown which benefitted businesses overall and contributed to new restaurant openings over time.

- **Contributions to joint and cross-marketing**

The District Live! projects have demonstrated the company's ability to consistently attract large crowds year round. While it was consistently noted that the company concentrates its focus on project-specific marketing, there was consensus on the company's willingness to support downtown collaborative marketing campaigns.

- **Night / bar scene management and crowd control**

Being a leader in urban entertainment gives the company and its management a unique perspective and institutional knowledge about managing entertainment/club venues and events. There have been issues in this area related the strict policies that the company enforces such as: dress codes; and procedures to better control ID checks that prevent under-age access into clubs . These issues were essential to the company's core business, were resolved, and in certain instances required participation by local political leaders. In addition, understanding the issues and actions taken must be viewed within the context of other events going on throughout the city in entertainment/club districts that exercise far less management control.

## H. OUT OF TOWN STAKEHOLDER INTERVIEWS cont'd

- **Coordination and interface with the police**

To the best of the knowledge of those interviewed, there has not been major reported crimes within the projects. Police coordination and collaboration was cited as very important; and appeared to be a priority that got adequate attention by the project's staff and the city police.

- **Coordination and interface with the City and other agencies**

The nature of the District Live! business model requires that the project draw from a regional market which mandates that the company collaborates with a range of marketing and service departments within government and non-profit agencies.

- **Local and minority participation**

The public purpose of the projects mandate a commitment to local and minority participation. There was a consensus that the company complied with its obligations to satisfy the city's goals in this area. Most cited that there was much scrutiny associated with the mix of national chains vs. local operators ; as well as the amount of retail (local and chains) that would be feasible in light of minimum rent requirements.

- **Delivering local authenticity**

All agreed that the company's strong relationship with national chains was an asset especially during the economic downturn; and that it was in the company's best interest to be inclusive in its outreach in order to achieve local authenticity via the tenant mix, local programming and marketing.

- **Delivering expectations**

All agreed that once a deal was made, the company has a good track-record on delivering on its commitments.

### Conclusions

There was a clear consensus that the Live District! Projects: have been an early lead catalyst; consistently delivered large crowds; and made a major contribution to broader revitalization and expanding business growth. All felt that the company has learned and applied lessons from earlier projects. Everyone characterized the company as "tough negotiators"; at times demanding; and always focused on executing their business model. No one questioned their ability and financial capacity to deliver difficult public/private partnership projects; and to deliver an industry-leading product that is completely differentiated in the markets that they serve.

## I. RESEARCH CONCLUSIONS

### Market Share:

- Reversing Norfolk's declining restaurant market share trend is a strategic priority
- Market share decline has been so large that reinvigorating Norfolk's restaurant sector requires "major innovation" rather than incremental action

### Supportable Restaurant Square Footage:

- Net new sales in the Cordish Plan are within the range of new sales and supportable restaurant SF in all scenarios: Status Quo, Average and Peak market shares.

### Sales Transfer Between Downtown Business Nodes:

- Most of Waterside's past club audience has evaporated – without benefit to other areas in the City
- Little to no "sales transfer" within the City should be assumed as a result of Waterside's reinvigoration
- Sales Transfer impacts are minimized to the extent the Cordish plan draws a vast majority of patrons/sales from outside of Norfolk and helps to capture more regional visitor spending

### Expanding The Pie:

- Cordish Plan's combination of critical mass, content, entertainment, consistent marketing, and continuous improvement to sustain sales enhances the likelihood of expanding the pie
- Existing restaurant patrons spend more (**demand / spending elasticity**)
- New patrons are attracted from within the region (**increased local inflow**)
- Norfolk draws more visitors and attracts a larger share of regional spending (**increased visitor spending**)
- **Approximately 70% of the Cordish Plan's projected \$27.1M sales volume is anticipated to originate from outside of Norfolk.**

### Potential Downtown Impacts:

- Cordish Plan could restore Waterside's past peak sales/market share levels without absorbing a dominant share of new restaurant sales
- Cordish Plan alone would not restore Norfolk's "peak" market share

### Waterside Opportunity:

- Waterside was/can be an economic engine for "importing" sales from beyond city boundaries
- Waterside can be a lead catalyst in strengthening Norfolk's strategic brand positioning
- Waterside Live! is consistent with the City's strategy to create "Virginia's Premiere Urban Waterfront Park" extending from Harbor Park to Town Point Park
- Waterside Live! is consistent with the City's strategy to become a more competitive Regional Destination

## REPORT EXHIBITS



1. Downtown Norfolk/Ghent Restaurant Profile
2. Cordish Proposal Sales Assumptions
3. Preliminary Research Findings
4. Opinion Rationale Framework
5. Local Interview Highlights
6. Developer Interview Highlights
7. Interviews: Louisville, Kansas City & Baltimore
8. Potential Economic Impacts
9. Potential Quality of Life Impacts
10. Chronology & Proposals
11. Developer Selection Criteria
12. Consultant Team Qualifications / Contact



## **1. DOWNTOWN NORFOLK / GHENT: RESTAURANT PROFILE**

### **DOWNTOWN PROFILE**

#### **1. Downtown Restaurants:**

- |                                |  |
|--------------------------------|--|
| • Total Restaurant/Food Space: | Approx. 250,000 SF                           |
| • Number of Units              | Approx. 70 (including fast food)             |
| • FY 2011 Sales                | Approx. \$60 M (estimated using tax records) |
| • Estimated Sales Productivity | Approx. 240 PSF                              |

#### **2. National / Regional Chains:**

- Hooters
- Joe's Crab Shack
- Outback Steak House
- Kincaid's
- Chili's
- Max & Erma's
- Buffalo Wild Wings
- McDonald's, Burger King, Sbarro, Panda Express

#### **3. Restaurant Chain Concentration:**

- MacArthur Center and Waterside

#### **4. Local Restaurant Profile:**

- Majority of restaurants are small, locally owned
- Many are chef-operated
- Generally 1,000 -3,000 sf (seating capacity 50-150)
- Entrée price point: \$15 -\$30
- Lunch-focused operations have lower priced offerings
- Several "bars": drinking emphasis vs. food

### **GHENT PROFILE**

#### **1. Ghent Restaurants:**

- |                                |                                      |
|--------------------------------|--------------------------------------|
| • Total Restaurant/Food Space: | Approx. 150,000 SF                   |
| • Number of Units              | Approx. 30                           |
| • FY 2011 Sales                | \$42 M (estimated using tax records) |
| • Estimated Sales Productivity | Approx. 280 PSF                      |

## **1. DOWNTOWN NORFOLK / GHENT: RESTAURANT PROFILE (cont'd)**

### **2. National / Regional Chains:**

- Chipotle
- Panera Bread
- IHOP
- Captain D's
- Taco Bell
- Wendy's
- Hardees

### **3. Restaurant Chain Concentration:**

- Major Intersections (especially Monticello Avenue/21<sup>st</sup> Street)

### **4. Local Restaurant Profile**

- Generally 1,000 – 2,000 SF (seating capacity 10 -100)
- Entrée price points typically \$6-\$15
- Several establishments have higher price points
- Many offer take-out or delivery service to nearby neighborhoods
- Few “bars” and entertainment establishments

## **2. WATERSIDE: PROPOSAL SALES PROJECTIONS**

### **TENANTS**

#### **First Floor**

- Joe's Crab Shack
- Outback
- Pizza Bar
- Piano Bar Concept
- Candy
- Ice Cream
- Coffee
- Leinenkugel's
- Brewery
- Marina Facilities
- Hooters

#### **Second Floor**

- PBR
- Chapel
- Raw Bar
- Shark Bar
- Mosaic Club
- Sushi Restaurant
- Event Space (10,000 sf)

SQUARE FOOTAGE	122,501
PROJECTED SALES	\$27,053,175
SALES PSF	\$220.84

### 3. WATERSIDE: RESEARCH FINDINGS

#### **NORFOLK HAS SUFFERED A RAPID DECLINE IN RESTAURANT MARKET SHARE**

- City's share of restaurant sales peaked during the years following Waterside's 1999 repositioning
- City's share of restaurant sales began to decline after 2004 and accelerated in 2008
- **City's share of restaurant sales is currently 22.5% compared to 27.6% (2000)**
- Below the 14 year average from 1996 to 2011
- 20% below its peak from 2000 -2004

#### **TO CASUAL OBSERVERS, NORFOLK'S RESTAURANT SALES VOLUME HAS INCREASED, BUT SHARE OF MARKET TELLS A DIFFERENT STORY**

- Restaurant sales in South Hampton Roads have grown but Norfolk is not fully participating in the growth of the market
- Loss of restaurant market share is a serious problem:
  - Loss of food and beverage tax revenue
  - Loss of employment
  - Loss of entrepreneurial wealth
- Norfolk once gained market share; this can occur again

#### **NORFOLK'S RESTAURANT MARKET SHARE TREND**

	<b>Market Share Trend (Percent)</b>	<b>Norfolk Sales Trend (millions)</b>
• 1996:	26.5%	\$230.4
• 2001:	27.6%	\$299.5
• 2006:	22.6%	\$312.8
• 2011:	22.5%	\$358.5

### **3. WATERSIDE: RESEARCH FINDINGS (cont'd)**

#### **WATERSIDE'S PERFORMANCE DOES NOT CORRELATE POSITIVELY OR NEGATIVELY WITH RESTAURANT SALES IN GHENT OR GRANBY STREET/MACARTHUR CENTER**

- 2008 economic conditions had serious negative impact on Ghent while Downtown's sales were less impacted
- Downtown's sales suffered from 2009-2011 during light rail construction disruption while Ghent's sales turned to positive
- "Dollar for dollar" sales transfer cannot be proven – especially since Ghent's base has few "bars" comparable to the core tenancy at Waterside

#### **THERE ARE SUBSTANTIAL POTENTIAL TAX REVENUES IMPLICATIONS ASSOCIATED WITH RE-GAINING LOST RESTAURANT MARKET SHARE**

- 6.5% & beverage taxes are highly lucrative to City
- City's recent compound growth rate was 3.2% compared to 4.4% in South Hampton Roads
- Cordish Plan is one effort of re-building strategy but cannot alone deliver all of Norfolk's lost market share
- Cordish Plan becomes one element of re-branding / cross-marketing opportunity that can deliver larger results

## 4. WATERSIDE: OPINION OF PROBABLE IMPACTS RATIONALE

OBJECTIVES	STRATEGY	KEY CONSIDERATIONS
<b><u>I. RESTATE: Potential Opportunity and Impacts</u></b>  <b>A. City's Question</b>  >Potential Impact of the Cordish Waterside Proposal on Downtown	Consistency with the City's long-term vision and strategy?  Potential short and long-term impacts on downtown?	-Military dependent economy. -Half of workers live outside the city. -R.E.Tax dependent City fiscal mode. -City poverty level remains constant. -Need to do more with less. -Need to diversify the tax base.
<b><u>II. RESET: Framing The Response</u></b>  <b>B. City and Regional Perspective</b> >City's overall vision, economic objectives and strategy?	<u>Mission</u> -Stronger regional "economic hub"  <u>Vision</u> -Stronger Regional Cross-roads, Gateway, Destination and Innovation Center  <u>Strategy</u> -Build on "urban center" strengths to attract "high valued" industries and market	-Downtown Anchors and waterfront connectivity/vitality is essential to create more reasons to come, stay, spend/invest and return/stay.  -Downtown Vitality and Authenticity strengthens regional and visitor market.  Urban Vitality supports tourism, convention and hospitality strategy  Urban Vitality appeals to local and visitor "creative class" and other high-valued" market segments.
<b>C. Downtown Perspective</b> >Role of Downtown and Waterfront	<u>Mission</u> -Retain and attract businesses, workers, and emerging "new economy" industries  <u>Vision</u> -Downtown critical mass, mix use, connectivity and urban authenticity. -Offer live, work, learn, play vitality in a unique urban setting  <u>Strategy</u> -Support local business/industries -Leverage downtown and waterfront to differentiate the experience -Leverage urban lifestyle offerings to attract "high-valued" markets	-Significant decline in food/beverage regional market share -Modest annual increases in City food/beverage sales & related taxes -Waterside's performance does not correlate positively or negatively with restaurant sales in Ghent or Granby/MacArthur Center
<b><u>III. DRILL DOWN: Maximizing Untapped Potential</u></b>  >Possibilities vs. Probabilities >Link to Long-Term Objectives >Maximize Upside/Manage Risks >Economic return/benefits >Enhance quality life	-Reinvigorating Norfolk's restaurant sector requires "major innovation" rather than incremental action -Opportunity exists to build upon past lessons and investment to leverage downtown, the waterfront, and Norfolk's "authentic urban center" brand	-Build on strengths and advantage -Create new opportunities to overcome disadvantages -Leverage market strategies and government support -Address threats and destabilizing influences directly

## **5. WATERSIDE: LOCAL INTERVIEW HIGHLIGHTS**

### **INTERVIEW PROFILE**

- Restaurant Owners (Granby Street)
- Restaurant/Bar Owner (Ghent)
- Downtown Stakeholders
- Convention Industry Stakeholders

### **CONSISTENT FEEDBACK/THEMES**

- Downtown/Ghent restaurant and bar operators reported NO sales benefits when Waterside' bars were closed. Downtown operators all described Waterside as a "stand alone destination" that is too far removed from Granby Street to create any synergistic sharing of patrons on the same trip.
- Waterside's customer based dissipated and did not relocate to a single area or code. Areas perceived as benefitting from Waterside's demise were outside of Norfolk: Town Center of Virginia Beach; Shore Drive/Lesner Bridge area of Virginia Beach; and Virginia Beach oceanfront.
- All operators said Downtown requires support from customers beyond Norfolk's boundaries (local residents and tourists) to succeed. Most operators felt that the inflow of patrons from beyond Norfolk's boundaries has decreased in recent years –especially on week nights (Note: the Cordish Proposal indicates that their Kansas City Live! Project attracted 38% of visitors from beyond 100 miles).
- Every operator from Ghent and Downtown – except one – indicated a personal belief that Waterside's "highest and best use" was for eating and drinking places with an entertainment component.
- All operators – except one – cited a "static environment" in Downtown as a major reason for lack of interest/use by patrons from throughout the region.

## **6. WATERSIDE: DEVELOPER INTERVIEW #1**

**March 14, 2012**

### **BUSINESS MODEL DIFFERENTIATION**

- **Live Districts!™** are “NOT” a festival marketplace business model
- **Festival Marketplaces** are “restaurant-anchored” with a critical mass and mix of retail
- **Live Districts!™** are “entertainment experiences”
- **Live District™ formula:** “entertainment anchored” with critical mass/mix of food and programming
- **Brand Differentiator:** “Create City’s New “Living Room”
- **Waterside has NOT** been a traditional festival marketplace model since 1999

### **MAJOR DIFFERENCES**

- **LIVE DISTRICTS** are an “entertainment-driven” branded experience that offers far more
- **LIVE DISTRICTS** combine restaurant/bar and live entertainment with special events
- **LIVE DISTRICTS** have a distinct day, evening, late night, and weekend character
- **BUSINESS MODEL**, management and control allows responsiveness to varied markets

### **INDUSTRY BREATHROUGH**

- **DEVELOPER** has an affiliate operating company to operate key entertainment venues
- **EXPANDED CAPACITY** as a Developer and Restaurant/Bar operator is unique in industry
- **DIRECT OPERATING CONTROL** in critical areas that “make or break” entertainment brand
- **ADDITIONAL QUALITY CONTROL** gained with “lease” operating and design standards



## **7. WATERSIDE PROPOSAL: CITY INTERVIEWS**

Louisville, Kansas City and Baltimore

### **INTERVIEW COMMENTS**

#### **OVERVIEW**

##### **Demographic Profiles**

- Norfolk (pop. 242,000, SMA pop. 1.7M)
- Louisville (4<sup>th</sup> Street Live! (pop. + 700,000, merged with county; SMA pop. 1.5M)
- Kansas City Power and Light District, (pop. 460,000, SMA pop. 2M)
- Baltimore (pop. 620,000, SMA pop. 2.7M)

##### **Openings**

- Power Plant (1997); Power Plant Live! (2000)
- Louisville (2004)
- Kansas City (2007)

##### **Starting Points: Louisville, Kansas City and Baltimore**

- Louisville/KC had outlying retail and entertainment attraction competition
- Louisville/KC had weak downtown core and declining retail, restaurant and residential base
- Louisville/KC needed to strengthen tourism and convention infrastructure; grow/diversify economy
- Louisville: workout of antiquated, declining mall within downtown main street
- Kansas City: center of mixed use redevelopment area connecting convention, commercial, residential
- Baltimore: Previously the Power Plant was a failed entertainment business; remained vacant for years
- Baltimore: Power Plant Live was a failed urban marketplace adaptive re-use project

##### **Downtown Strategy**

- Both cities illustrate the potential of Live Districts to catalyze/advance downtown strategies:
- + Critical Mass and Mix (restaurants, clubs, entertainment anchors and attractions)
- + Connectivity (mobility, public transit, multi-modal, pedestrian, vehicular)
- + Hotel / Convention Infrastructure (uses complement meeting and hotel facilities)
- + Residential (attract high valued markets with live, work, learn, play appeal)
- + Commercial (retain / attract high valued industries, businesses and national chains)

##### **District Live! Formula**

- Real estate success is an outcome of capturing and inducing demand
- Live District model offers:
- + Product appeal and uniqueness (live-music and entertainment-anchored experience)
- + Strong chain operator relationships (national and regional)
- + Flexibility to adjust to market shifts (network of chain tenants; company affiliate operates venues)
- + Flexibility to fit local businesses in formula (ability to add local flavor with strong local operators)
- + Locally-driven marketing (target and appeal to locals and visitors)

## **7. WATERSIDE PROPOSAL: CITY INTERVIEWS (cont'd)**

Louisville, Kansas City and Baltimore

### **INTERVIEW COMMENTS**

#### **LESSONS LEARNED**

##### **Indicators: Broader Impacts and Results**

- Increase in regional market share (ie. food/beverage, admission and hotel)
- Increase in downtown traffic (locals, regional visitors and tourists)
- Increase in convention bookings (more compelling destination, things to do)
- Increase in restaurant and retail business openings (nearby areas)
- Increase in revitalization of surrounding neighborhoods (commercial, residential)
- Enhanced downtown appeal to high valued markets (ie. young professionals, suburbanites)
- Improve business retention and attraction (ie. corporates, start-ups)
- Increase “buzz” regionally and nationally about something new downtown

##### **Leasing and Local Restaurants Impacts**

- Consumers seek variety, quality, value, service and experience
- Strong restaurants will get their share of an expanding customer base
- “Raised the bar” for weaker restaurants
- Visitors like to go where the locals go (local authenticity)
- Some visitors like to go to what’s familiar (national chains)
- Mix of national chains and locals is critical
- Chains enhance “regional and out of state appeal”
- Local flavor differentiates the product and experience across market segments

##### **Project and Downtown Marketing**

- Company leverages marketing and sponsorship budgets to consistently attract large crowds
- Company collaborates with a range of marketing stakeholders
- Comprehensive marketing approach: advertising buys, PR, web campaigns, sponsored events etc.
- Plus: social media and word of mouth to create a constant “buzz”

##### **Issues and Resolutions Discussed**

###### **Overview**

- Projects are complex and involve range of public stakeholders and consumers
- Range of challenges include: closing financing gaps, operations, organizational, political and social  
Issues have been raised and addressed in the context of other issues going on throughout the city (ie. crowd management and alcohol license issues in local club districts)
- Projects have an initial “shake-out” period to stabilize new operations and working relationships with city departments

## **7. WATERSIDE PROPOSAL: CITY INTERVIEWS (cont'd)**

Louisville, Kansas City and Baltimore

### **INTERVIEW COMMENTS**

#### Issues/Examples of Project Complexity

- Crowd Management:
  - Dress code public/political controversy (Kansas City)
  - Special alcohol license to allow using public street for entertainment (Louisville)
  - Admission ID check for public street entertainment use with alcohol (Louisville)
  - ID check: scanning ID to get market research (identified as concern on Wikipedia website)
  - Good communications and clear accountability required in early stages of operations
- Tenant Mix:
  - Fears about cannibalizing local restaurant sales (glass is half empty) vs. mindset of mobilizing to seize regional growth potential (glass is half full)
  - Restaurants that went out of business nearby were replaced with new stronger restaurants
  - Example: New successful urban grocer in redevelopment area initiated prepared food counter; some local restaurants complained about losing lunch traffic (Kansas City)
  - Example: Size of food court and number of chains vs. local operators (Louisville)
  - Example: City's famous local BBQ not represented; leased to regional chain (Kansas City)
  - Retail goals hard to achieve in economic downturn; retail goals being updated in Phase II (Kansas City)
- Politics
  - Initial criticism about public subsidy within certain circles
  - Crowd management policies and potential issues must be vetted upfront
  - Level of City support services must be vetted upfront
  - Local and minority participation expectations must be vetted upfront

#### **Making A Deal: General Impressions and Conclusions**

##### **General Impressions Expressed**

- Focused and direct in negotiating and executing formula
- Tough negotiators who drive a hard bargain
- Public/private deals are the most difficult to close and deliver predictable results

## **7. WATERSIDE PROPOSAL: CITY INTERVIEWS (cont'd)**

Louisville, Kansas City and Baltimore

### **Conclusions Expressed**

- Once deal is made, expect the company to aggressively protect its interest
- Company will work within their District Live! model
- Model allows for the flexibility to achieve local authenticity
- Few firms can (have) delivered this entertainment/restaruant product
- City will know what they are buying
- City will get what they pay for
- Early stage catalytic results speak for themselves
- Company invests/risks equity and delivers a unique product

## **8. WATERSIDE: POTENTIAL ECONOMIC IMPACTS**

POTENTIAL ECONOMIC IMPACTS	KEY FACTORS	PROBABILITY
<b>I. Regional Market Positioning</b>	(+) Improves the competitive advantage and brand strength needed to help attract businesses, workers, visitors and residents throughout region	Probable
	(+) Creates waterfront commercial appeal and new opportunities for private/institutional investment in under-utilized waterfront assets (ie. Cruise Terminal, Nauticus)	Possible
<b>II. New Marketing, Advertising and Sponsorship Investment</b>	(+) Significant Increase in on-going Developer and Tenant marketing and advertising budgets that will benefit downtown businesses	Probable
	(+) Downtown-focused cross-marketing and cross-programming opportunities to build upon strengths of Fest-event's, Granby Street, and MacArthur Mall	Probable
<b>III. Increase Regional Food/Beverage Market Share"</b>	(+) Success will increase Downtown restaurant exposure to new customers; and re-capture former customers	Probable
	(+) Success will contribute to increasing City's F/B regional market share to past peak levels	Probable
	(+) Reasonable to assume Downtown and Ghent restaurants will benefit subject to coordinated cross-marketing of Downtown, Granby, Mall and Waterfront, and Waterside	Probable
<b>IV. Tax Revenues</b>		
A. Real Estate Taxes	(+) Increase in Waterside value and R.E. Property Taxes paid to City	Full R.E. Tax Payment Proposed
B. State & Local Sales Taxes	(+) Increase in Local Share (6.5%) of Food/Beverage Sales Tax	Proposed Sliding Scale Rebate For Food & Beverage, Admissions and City Portion of Sales Tax
C. Other Taxes and Fees	(+) Increase subject to business type	Not shown as rebate in pro forma: Business License, Business Property, and Utility Taxes.
D. Const. Related Investment	(+) Direct and multiplier effects	

## **9. WATERSIDE: POTENTIAL QUALITY OF LIFE IMPACTS**

POTENTIAL QUALITY OF LIFE IMPACTS	KEY FACTORS	PROBABILITY
<b>V. Improved Services</b>	(+) Developer committed to long-term management, operations, leasing, marketing and security at a high standard.	Probable
<b>VI. Improved Sense of Place</b>	(+) Developer committing investment to undertake a major adaptive re-use that preserves building integrity, maximizes site strengths, and improves connectivity to the city and water. Business model positions project to deliver high operating standards and showcase local authenticity	Probable
<b>VII. Improves Sense of Community</b>	(+) Restoring Waterside to its original public purpose is consistent with the waterfront vision and recent City investment decisions; and builds upon Downtown and Fest-event's brand which is strong throughout the region. The Developer's commitment to local and minority participation is a key objective to consider that supports community building.	Probable

## **10. WATERSIDE PROJECT: CHRONOLOGY & PROPOSALS**

### **1983    Waterside Grand Opening**

Developer: Enterprise Development Company (affiliate of James W. Rouse's Foundation)  
Building: 78,000 sf and 40 marina slips  
Program: Locally-focused restaurants, retail and vendor market  
Funded with \$9.8 M in Federal Grants  
Additional Funding \$4.0 M Norfolk Redevelopment and Housing Authority  
Managed by Enterprise Development Company  
Town Point Park Improvements: \$ 45.4 M

### **1990    Waterside Addition**

Expansion: 32,000 sf two level addition of western end

### **1990's    City Funded Operational Losses, Maintenance and Repair**

### **1999    Waterside Repositioning, Improvements and Re-Grand Opening**

City funded major repositioning prior to MacArthur Center Opening (approx. \$8 M)  
Format changed to food and entertainment focus  
Anchored by second floor 50,000 sf Jillian's Restaurant and Entertainment Offerings  
Included Hooters, Outback and Joe's Crab House national chain restaurants  
Included mix of second floor Lounge and Entertainment Venues

### **2009    Town Point Park Improvements: \$11.6 M**

### **2009+    Club and Entertainment Venues Closed**

### **2010    Waterside Panel Advisory Panel Convened and Concluded:**

Potential to be a catalyst to bring together downtown  
Cross-programming and cross- marketing potential  
Vehicle to create strong linkages to the waterfront

### **2011    Waterside Today**

Three Anchor Restaurants and Select Local Vendors  
Improved Common Area and Event Space

### **2012    Cordish Proposal: Waterside Live! Project (restaurant and entertainment) HL Development Proposal: Conference Center Connecting To Hotels**

....continued

## 10. WATERSIDE PROJECT: CHRONOLOGY & PROPOSALS (cont'd)

<b>Cordish: Waterside Live!</b>	<b>HL Development: Conference Center</b>
<p><b><u>PROGRAM:*</u></b></p> <p><b>Core Concepts</b></p> <p>Waterfront Restaurant and Entertainment Anchor Advance Urban Waterfront Park Vision Support Tourism and Convention Marketability</p> <p><b>Complete Overhaul, Rehab, Re-tenant &amp; Rebrand</b></p> <p><b>Branding: Waterside Live!:</b> Norfolk's Living Room</p> <p><b>Total Restaurants: Thirteen (13)</b></p> <p><b>First Floor:</b> 7 Restaurants, Small Food Court Central Gathering Area Open City and Waterside frontage</p> <p><b>2nd Floor:</b> Six (6) Restaurants and Patios Event Room</p> <p><b>Comparable Projects</b></p> <ul style="list-style-type: none"> <li>• Baltimore Power Plant Live!</li> <li>• Louisville Live!</li> <li>• Kansas City Live!</li> </ul> <p><b><u>ESTIMATED INVESTMENT:</u></b></p> <ul style="list-style-type: none"> <li>• Private: \$26M</li> <li>• Public: TBD</li> </ul>	<p><b><u>PROGRAM:</u></b></p> <p><b>Core Concepts</b></p> <p>Respond to need for conference space City need for 1100 hotel room to be competitive Bring additional office workers to downtown</p> <p><b>Conference Center</b> to replace Waterside (30,000 sf Exhibit Hall) (23,000 sf Ball Room)</p> <p><b>New Signature Seafood Restaurant</b></p> <p><b>Enlarge And Improve The Marina</b></p> <p><b>Proposed Two Mid-Sized Hotels</b> (Total 300 rooms)</p> <p><b>Hotel Co-Location At Selden Arcade</b></p> <p><b>Overhead Connections</b> to Proposed Hotels</p> <p><b>Overhead Connections</b> to Marriott Conf. Center</p> <p><b>New Office Building</b></p> <p><b><u>ESTIMATED INVESTMENT:</u></b></p> <ul style="list-style-type: none"> <li>• Private: \$200M</li> <li>• Public: \$70M</li> </ul>



## 11. WATERSIDE PROJECT: PROPOSAL AND DEVELOPER SELECTION CRITERIA

### RFP PROPOSAL CRITERIA

1. Developer Experience
2. Developer Qualifications
3. Developer Financial Capacity
4. Proposed Development Quality
5. Public Benefits

### KEY CONSIDERATIONS

#### Developer Criteria:

1. Leadership and Know-how
2. Industry Leader vs. Follower
3. Organizational Strengths Offer Competitive Advantage
4. Track Record & Performance Aligns With Needs/Opportunities
5. Depth of Financial Capacity and Track Record
6. Risk Own Capital Based On Confidence In Own Abilities
7. Depth Of Public/Private Partnership Experience
8. Demonstrated Ability To Build On Lessons Learned
9. Ownership Mindset & Proven Team Building Excellence
10. Builds On Local Strengths and Authenticity to Capture Regional Markets
11. Savvy About “New Economy” Trends and How To Respond
12. National Industry Networks to Draw Upon

#### City Priorities:

1. **On-target** with City/Downtown/Waterfront vision (ie. Harbor Park to Town Point Park)
2. **Build** on City's urban infrastructure, management and market strengths
3. **Harnesses Market** to achieve City's strategic priorities
4. **Attract** sufficient private investment to deliver critical mass, mix and connectivity
5. **Manage Risks** and maximize upsides / untapped potential
6. **Create** new platform to attract “high valued” industries and markets
7. **Enhance mix** of downtown live, work, learn, play offerings / experiences
8. **Retain, Expand and Diversify** who lives and works in downtown and city
9. **Strengthen Position** as dominate and authentic “regional urban center”
10. **Strengthen** Sense of Place, Community, Connectivity and Mobility
11. **Generate** sufficient public economic and quality of life returns/benefits
12. **Support** growth of local tourism and convention industry



## FIRM AND TEAM QUALIFICATIONS

### PROJECT EXECUTIVE:

**Dana A. Nottingham**  
Partner

**(Redevelopment, Urban Mixed Use/Retail)**

#### Support Team

Walter R. Huntley, Jr.  
President and Founding Partner

(Public/Private Partnerships  
& Business Development)

Rick W. Padgett  
Senior Partner

(Economic/Market Research, Public Finance, TIF's,  
& Real Estate Investment Analysis)

### LOCAL RESEARCH ADVISOR

**H. Blount Hunter, President**

H. B. H. Retail & Real Estate Research Company  
1202 Westover Avenue  
Norfolk, Va. 23507-1336

**Huntley Partners. International Tower, Peachtree Center.  
229 Peachtree Street N.E. Suite 525. Atlanta, GA 30303  
404.681.2791 office 404.688.5037 fax**



**FIRM AND TEAM QUALIFICATIONS**  
**([www.huntleypartners.com](http://www.huntleypartners.com))**

**Huntley Partners, Inc.** is a development advisory consulting firm offering turnkey consulting and program management services including: market analysis; development feasibility and programming; financial feasibility; community outreach; and implementation services to both public and private clients. Huntley Partners has completed numerous master plans, development programs, business plans and market analyses; and specializes in preparation of Tax Allocation District Redevelopment Plans which has led to the creation of eleven such TAD districts in Georgia. Both the TAD and non-TAD redevelopment and master plan work has involved the management of all disciplines required to complete comprehensive revitalization and investment strategies including implementation-focused development planning and execution.

**Walter R. Huntley, Jr.**  
**President and Founding Partner**

Walter R. Huntley, Jr. has over twenty-five years of experience as a economic development professional, executive and public/private partnership specialists. Former, he was appointed by Mayor Andrew Young and served as President of the Atlanta Economic Development Corporation (now the Atlanta Development Authority) from 1986 -1996. In that role, he directed major public/private mixed use development projects building upon his experience working on projects at the Atlanta Airport while serving as Deputy Chief Administrative Officer under Atlanta Mayor Maynard Jackson. Mr. Huntley has extensive board and community participation experience resulting from his involvement in numerous community, corporate and government boards and agencies. Mr. Huntley holds a master's degree in urban studies from Trinity University; and completed a fellowship for advanced graduate studies from the Department of Urban Studies and Planning at MIT.

**Rick W. Padgett**  
**Senior Partner**

Rick M. Padgett has over twenty-five years of experience as a development executive with extensive experience directing and working with a range of disciplines on numerous project types: development and acquisitions; office; retail; hotels; meeting centers; industrial distribution centers; residential; and entertainment/cultural facilities. In 1981, he began working for the internationally recognized Portman Companies where he participated in the development of over 4.0 million s.f. of commercial property involving \$1.1 billion of development financing and refinancing. Mr. Padgett was the president of the Atlanta Downtown Development Authority during Atlanta's preparation for the 1996 Summer Olympics. He had a leadership role on numerous major downtown projects such as: the 1.6 million s.f. Sam Nunn Federal Center; including directing the public and private financing, land assemblage, and development programming on other major office, mixed use and cultural projects. He specializes in assessing the feasibility of Tax Allocation Districts and establishing TAD Redevelopment Plans. Mr. Padgett holds a bachelor of arts degree from Brown University; and a Master of Business Administration from the Harvard Business School.



**FIRM AND TEAM QUALIFICATIONS**  
**([www.huntleypartners.com](http://www.huntleypartners.com))**

**Dana A. Nottingham**  
**Partner**

Dana A. Nottingham has over twenty-five years of experience in the fields of real estate and economic development with extensive experience in development implementation on major urban mixed-use/retail destinations and redevelopment projects. Formerly, he served as a development executive with The Rouse Company (shopping center developers), the Walt Disney Company (Disney Development); and the Miami Downtown Development Authority; and has served as a development advisor to cities, development and community organizations in ten urban markets representing approximately \$1 billion of economic impact. Additionally, he served as the development executive on the Underground Atlanta Redevelopment Project, and the New Orleans Riverwalk Marketplace; as well as multiple town center, mixed-use, and retail projects including Disney's Celebration Town Center. Mr. Nottingham specializes in the visioning, strategy development and implementation of large-scale mixed use, retail, town center and urban redevelopment projects. Specific Norfolk experience includes advisor and lead program manager on the following projects: Church Street Neighborhood Redevelopment Plan; repositioning strategy to convert the Waterside Festival Marketplace into a "restaurant-anchored" entertainment center managed by the City's Housing and Redevelopment Authority; and other neighborhood revitalization initiatives. Mr. Nottingham holds an undergraduate degree in architecture (Hampton University); and a masters in city planning degree (MIT).



**LOCAL MARKET RESEARCH ADVISOR**  
**([www.hbhresearch.com](http://www.hbhresearch.com))**

**H. Blount Hunter, President**

H. B. H. Retail & Real Estate Research Company  
512 Colonial Avenue  
Norfolk, Va. 23507  
757.626.0757

H. Blount Hunter is the founder and principal of the Norfolk-based H. Blount Hunter Retail and Real Estate Research Company. Mr. Hunter has over twenty-five years of research experience and specializes in retail market research for all project types in urban and suburban settings: Downtown Main Streets; retail and food components of art districts and entertainment centers; department store anchored urban and suburban shopping centers; neighborhood and community strip centers; specialty retail/food centers; mixed-use properties; and manufacturer's outlet centers. Prior to working as a consultant, he was a senior market research executive at The Rouse Company and served on the consulting staff of the American City Corporation which focused on retail potential in small and medium markets. Mr. Hunter is affiliated with a range of industry associations that focus on: urban development; suburban and urban retail development; and market solutions and best practices. His affiliations include: the International Downtown Association; the Urban Land Institute; the Congress for New Urbanism; and the International Council of Shopping Centers. Mr. Hunter has specific Hampton Roads and Norfolk experience as a volunteer and professional working on a range of advisory and market research assignments including efforts to strengthen downtown's waterfront, the Waterside Project, and Granby Street.